



**MINUTES OF THE
CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK**

For the meeting held on
December 14, 2010
980 9th Street, Conference Center, 2nd Floor
Sacramento, California 95814

Chairwoman Marjorie Berte called the meeting of the California Infrastructure and Economic Development Bank (I-Bank) Board to order at approximately 1:03 p.m.

1. Call To Order and Roll Call.

The following Board members were in attendance:

Marjorie Berte represented the Secretary of the Business, Transportation and Housing Agency.
Cynthia Bryant, Director of the Department of Finance.
Francisco Lujano represented the State Treasurer.
Bill Leonard, Secretary of the State and Consumer Services Agency.

D. Everett Rice, Governor's appointee was absent.

The following I-Bank staff members were in attendance:

Stan Hazelroth, Roma Cristia-Plant, Molly Arnold and Paula Connors.

2. Executive Director's Report.

Executive Director Stan Hazelroth reported to the Board the following:

- He personally attended the World Infrastructure Summit in Barcelona Spain, and conveyed that international infrastructure finance experts shared innovative infrastructure financing ideas.
- He briefed the Board on the national discussion regarding the economic impact of Build America Bonds and their attractiveness to the private sector, and that these types of bonds are set to expire at the end of the year.
- He thanked the Board members for their service to the Board and noted that the several members and board member delegates terms would be coming to an end at the end of the year. He also thanked staff for their excellent work over this past year.

Consent Items:

3. Approve minutes from the meeting held on October 26, 2010.

Chairwoman Berte called for questions or comments from the Board and the public. Hearing none, she entertained a motion to approve this consent item. Mr. Leonard moved to approve the minutes and Ms. Bryant seconded the motion. The minutes were unanimously approved.

Action Items:

- 4. Resolution No. 10-35 approving the sale, issuance and delivery of tax-exempt 501(c)(3) revenue bonds in an amount not to exceed \$30,000,000 to effect the retirement of a portion of the outstanding \$44,900,000 California Infrastructure and Economic Development Bank Variable Rate Revenue Bonds (San Francisco Ballet Association), Series 2008 (the 2008 Bonds), initially issued for the benefit of San Francisco Ballet Association, a California nonprofit public benefit corporation, the proceeds of which were used to finance and refinance an economic development facility in the City of San Francisco, California.**

Ms. Connors noted that Agenda Items 4 and 5 are related, and reported that in this item the San Francisco Ballet is requesting to refund \$30 million of approximately \$45 million outstanding bonds issued by the I-Bank in 2008 with private placement bank qualified bonds to effect a retirement of the bonds, choosing this

structure to take advantage of the increase in the small issuer limitation for such bonds. Ms. Connors indicated that the 2008 bonds refinanced bonds earlier issued by the I-Bank which financed capital improvements to an administration building, sets and costumes, warehouse space, computer hardware upgrades and improvements to the Ware Memorial Opera Houses. Ms. Connors indicated that the refunding is necessary to mitigate interest rate risk associated with the recent credit rating downgrade of Allied Irish Banks, p.l.c, the current security provider of the 2008 bonds, and allow the Ballet to better budget and plan in its efforts to continue to provide the same level of cultural activities. She then introduced John Wang, bond counsel with Orrick, Herrington & Sutcliffe, LLP.

Chairwoman Berte called for questions or comments from the Board and the public. Hearing none, she entertained a motion to approve Resolution No. 10-35. Ms. Bryant moved to approve the resolution and Mr. Leonard seconded the motion. The resolution was unanimously approved.

5. Resolution No. 10-36 approving an amended and restated indenture and amended and restated loan agreement and certain additional documents in connection with the substitution of security for, the addition of a monthly rate period for and the resulting tax-reissuance of a portion of the 2008 Bonds defined in item 4.

Ms. Connors presented a staff report describing the request for an amended and restated indenture and an amended and restated loan agreement in connection with the substitution of security for, the addition of a monthly rate period for and the resulting tax-reissuance of the remaining outstanding portion of the 2008 bonds described in agenda item 4 above. Ms. Connors explained that the Ballet determined it necessary to keep a portion of the 2008 bonds as variable rate bonds due to an existing swap agreement that would be economically infeasible to terminate given current market conditions.

Chairwoman Berte called for questions or comments from the Board and the public. Hearing none, she entertained a motion to approve Resolution No.10-36. Ms. Bryant moved to approve the resolution and Mr. Leonard seconded the motion. The resolution was unanimously approved.

6. Resolution No. 10-37 approving the sale, issuance and delivery of tax-exempt 501(c)(3) refunding bonds in an amount not to exceed \$24,000,000 to refund California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds (Sage Hill School Project), Series 2008, initially issued for the benefit of Sage Hill School, a California nonprofit public benefit corporation, the proceeds of which were used to finance and refinance an economic development facility in the community of Newport Coast within the City of Newport Beach, California and, in addition, to finance certain working capital costs for Sage Hill School.

Ms. Connors presented a staff report that described the request of Sage Hill School to refund bonds issued in 2008 by the I-Bank, the proceeds of which were used to finance capital improvements related to a new center for creative studies facility and to refinance a commercial bank loan used to construct the original school facility. Ms. Connors stated the purpose of the refinancing would provide Sage Hill School an estimated cash flow savings of over \$451,000 during the 30 year term of the bonds thus reducing operating costs thereby increasing revenues to support school programs. Ms. Connors indicated the proposed bonds will allow the school the ability to take advantage of new private placement provisions authorized under the American Recovery and Reinvestment Act provisions that are expiring December 31, 2010. Ms. Connors introduced Diane Shank, Chief Operating Officer representing the school, and Jennifer Cosper, bond counsel with Squire, Sanders & Dempsey, L.L.P.

Chairwoman Berte called for questions or comments from the Board and the public. Hearing none, she entertained a motion to approve Resolution No.10-37. Mr. Leonard moved to approve the resolution and Ms. Bryant seconded the motion. The Board unanimously approved the resolution.

7. Resolution No. 10-38 approving the sale, issuance and delivery of tax-exempt 501(c)(3) revenue bonds in an amount not to exceed \$22,000,000 to effect the retirement of outstanding

City of Los Angeles Adjustable Rate Certificates of Participation (Loyola High School of Los Angeles) 2005 Series A, initially issued for the benefit of Loyola High School of Los Angeles, a California nonprofit religious corporation, the proceeds of which were used to finance and refinance an economic development facility in the City of Los Angeles, California.

Ms. Connors presented a staff report in which she outlined the request from Loyola High School of Los Angeles to effect the financing of both tax-exempt and taxable debt issued by the City of Los Angeles in 2005, the proceeds of which were used to finance a portion of the costs of the construction of school facilities and to refinance taxable loans used to fund land acquisition. Ms. Connors stated that the retiring of the 2005 certificates are estimated to result in interest savings of approximately \$2 million over the next nine years, and that the savings will be used to enable expanded and enhanced school curriculum. She also indicated that the proposed bonds will allow the school to take advantage of a provision of the federal economic stimulus act permitting the Federal Home Loan Banks to issue standby letters of credit in support of conduit revenue bonds. She then introduced Jennifer Cosper, bond counsel from Squire, Sanders & Dempsey, L.L.P., and James Sweeney, counsel for Loyola.

Chairwoman Berte called for questions or comments from the Board and the public. Hearing none, she entertained a motion to approve Resolution No.10-38. Ms. Bryant moved to approve the resolution and Mr. Leonard seconded the motion. The Board unanimously approved the resolution.

8. Resolution No. 10-39 approving the sale, issuance and delivery of tax-exempt 501(c)(3) revenue bonds in an amount not to exceed \$20,000,000 and taxable revenue bonds in an amount not to exceed \$1,000,000 for the benefit of Saddleback Valley Christian, a California nonprofit religious corporation, to finance and refinance an economic development facility in the City of San Juan Capistrano, California.

Ms. Connors presented a staff report in which she summarized the request of Saddleback Valley Christian for the I-Bank to issue \$20 million tax-exempt and \$1,000,000 taxable bonds to refinance the cost of development, initial construction and subsequent expansion of school facilities, along with the financing of the planned construction of Phase 2 of the campus building improvements that include approximately 24,000 square feet of classroom and administrative office space to serve as the new junior high/high school education wing. Ms. Connors indicated that the project is estimated to increase enrollment by 600 students, is estimated to reduce financing costs by over \$1.5 million over the next six years, and will allow the school to take advantage of a provision of the federal economic stimulus act permitting the Federal Home Loan Banks to issue standby letters of credit in support of conduit revenue bonds.

Chairwoman Berte called for questions or comments from the Board and the public. Hearing none, she entertained a motion to approve Resolution No.10-39. Mr. Leonard moved to approve the resolution and Ms. Bryant seconded the motion. The Board unanimously approved the resolution.

9. Resolution No. 10-40 approving the sale, issuance and delivery of tax-exempt 501(c)(3) revenue bonds in an amount not to exceed \$9,880,000 to: a) to effect the retirement of outstanding City of Los Angeles Adjustable Rate Certificates of Participation (Village School, Inc.) 2004 Series A, initially issued for the benefit of Village School, Inc., a California nonprofit public benefit corporation, the proceeds of which were used to finance and refinance an economic development facility and, b) to otherwise finance or refinance an economic development facility, each facility located in the community of Pacific Palisades within the City of Los Angeles, California.

Ms. Connors presented a staff report in which she described the request of the Village School for the I-Bank to issued bonds to (a) effect the retirement of the outstanding amount of the City of Los Angeles Adjustable Rate Certificates of Participation (Village School, Inc.) 2004 Series A (2004 Certificates) and (b) finance the construction, remodeling and equipping of facilities located at 780 Swarthmore Avenue (Main Campus), including a library, computer lab, offices and related facilities. She also indicated that the proceeds of the

2004 Certificates were used to finance the cost of constructing and general development of an athletics and arts building and parking facilities at 15236 La Cruz Drive and to refinance the costs of certain facilities including a classroom building and parking facility at the Main Campus. Ms. Connors stated that the retirement of the 2004 Certificates is expected to save the school approximately \$2.7 million on a present value basis and mitigate interest rate risk associated with the recent credit rating downgrade of the current security provider for the 2004 Certificates, Allied Irish Banks, p.l.c. She also stated the proposed financing will allow the school to reposition and upgrade existing facilities located at the main campus improving specialized programs for students, and allow the school to take advantage of a provision due to expire December 31, 2010 of the federal American Recovery and Reinvestment Act permitting banks to purchase certain tax-exempt bonds issued. She then introduced Manuel Pardo, Chief Financial Officer representing the school.

Chairwoman Berte called for questions or comments from the Board and the public. Hearing none, she entertained a motion to approve Resolution No.10-40. Mr. Leonard moved to approve the resolution and Ms. Bryant seconded the motion. The Board unanimously approved the resolution.

Non-Action Business.

- 10. Report of the effects of SB 856, Section 69 (Statutes of 2010, Chapter 719) on a preliminary loan guarantee commitment granted by the I-Bank to the Imperial Irrigation District in 2003, and clarified in 2009, which, by its terms is scheduled to terminate on December 31, 2010, and related Board discussion.**

Ms. Arnold provided a report to the Board on the effects of Senate Bill 856 (SB 856), which was signed into law on October 19, 2010, and significantly affects, and in some instances overrides, the existing preliminary commitment issued by the I-Bank to the Imperial Irrigation District (IID) which, by its terms, will expire on December 31, 2010. She stated that it is I-Bank staff's conclusion that, due to the legislative direction contained in section 69 of SB 856, the best course of action is to permit the preliminary commitment to expire and for staff and representatives of the I-Bank and the IID to engage in discussions about the implementation of SB856. Ms. Arnold gave the board a brief history of the I-Bank's history with the IID guarantee commitment, and stated that SB 856 requires the I-Bank to guarantee obligations of the IID under the following provisions: 1) in an aggregate principal amount which, net of costs of issuance and a reserve account in the maximum amount permitted by federal tax law, provides proceeds of up to \$150 million (in 2003 dollars, adjusted by the construction cost index); 2) the proceeds of which will be used for projects or programs to develop "conserved water" as defined in and for the purposes of the quantification and settlement agreement executed on October 10, 2003 (the "Quantification Settlement Agreement"); and, 3) which may be issued in one or more series from time to time, as determined by the IID, and mature no later than 30 years from the date of issuance of the applicable series; bear interest at a fixed rate; and have level debt service (unless the I-Bank Board determines otherwise). She further stated that SB 856 clarified certain triggering events upon which a draw under the guarantee will be made, and that under certain circumstances IID will reimburse draws made under the guarantee.

Ms. Arnold clarified for Mr. Leonard that the bill requires IID to pay twelve months of bond payments prior to a draw on the guarantee, that there is no date by which the I-Bank must issue the guarantee and that the issuance date will be based upon when the district is ready to issue bonds.

Other Non-Action Business.

Chairwoman Berte called for any other business; there was none.

Public Comment.

Chairwoman Berte called for any public comment; there was none.

Adjournment.

Chairwoman Berte declared the meeting adjourned at approximately 1:50 p.m.